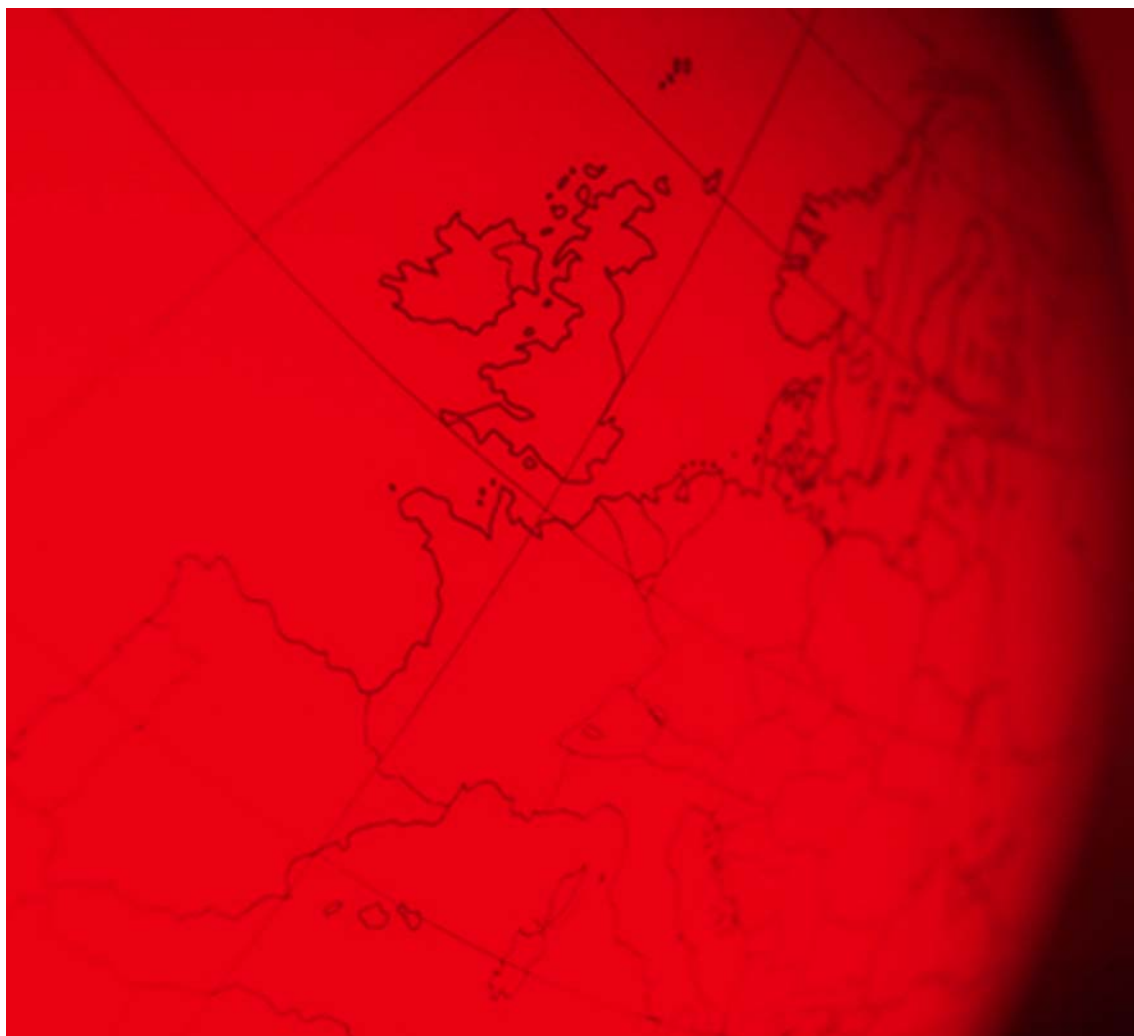


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EVALUATION REPORT

SPSS PREDICTIVEMARKETING



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suite market**THE BOTTOM LINE**

SPSS PredictiveMarketing solutions enables companies to increase marketing staff productivity, reduce marketing campaign costs, and increase profits by targeting the right customer at the right time with the right campaign.

SPSS's PredictiveMarketing solution leverages SPSS's strengths in predictive analytics and business rules logic to support marketing campaign planning, optimization, and execution. Using PredictiveMarketing customers can:

- Identify the right customers for a particular outbound marketing campaign.
- Select and optimize multiple campaigns based on desired outcomes.
- Choose the right channel for each customer.
- Determine the appropriate time to contact customers with a particular campaign.
- Coordinate multiple campaigns across channels to reduce overlap and maximize responses.

Companies seeking to improve marketing effectiveness or reduce the cost of their marketing efforts have a number of different technology choices, including traditional business intelligence tools, marketing campaign management and other tools from CRM vendors, pure statistical analysis tools, and analytics-based solutions such as PredictiveMarketing. Nucleus analyzed the experiences of PredictiveMarketing customers to determine the potential ROI from such a solution. Customers were in sectors with large business-to-consumer sales and marketing components, such as insurance, travel, and financial services.

The challenge

PredictiveMarketing customers faced a common challenge: the need to reduce marketing costs while improving marketing effectiveness. Many customers had extensive historical data that they had either gathered or purchased from multiple sources, and they wanted to better leverage that data to reach customers without overwhelming them. As one customer said, *"We knew we were mailing a little too deep — and a few customers were receiving a little too much from us. We wanted to find a way to reduce the number of customers in mailings but also to hopefully identify new types of customers that we couldn't target properly using our existing selection techniques."*

Although most SPSS PredictiveMarketing customers were already using other business intelligence tools for other tasks, they found that those tools were being used to generate reports on data and convert information from one format to another — but not to drive proactive decision making, and use this information to drive marketing campaigns. Instead of a tool to push information out to users in the way they requested it, they needed a solution that could pull data from multiple sources and then enable the user to build models around the data to better understand it. Functionality beyond reporting, such as predictive analytics, was key to improving their marketing effectiveness.

A number of customers also had CRM solutions in place, but were looking to predictive analytics to provide a way to mine existing customer data to better understand and to predict the behavior of customers. As one customer said, *"We didn't want a total CRM solution — we had a lot of applications we had built ourselves. We wanted something that could work from the data mining point of view and instead of pushing our products to consumers, looking at the behavior of the customer and how the customer is evolving and what we can do to satisfy their needs."*

Finally, customers were also looking for a solution that didn't require extensive training or database or statistical knowledge. Some were using or had considered other statistical or analytics packages but found them to be too complicated or expensive to learn and support to be effective:

- *"Most analytics tools require an understanding of statistics — you do have to understand the database and what's there. We have a long history of doing direct mailings but we're not incredibly 'techy' experts — we're just used to using our database to understand our customers."*
- *"We chose PredictiveMarketing because we needed the power of analytics with simple functionality — more of a power user tool for a marketing user than a statistical modeling tool."*

KEY BENEFIT AREAS

Nucleus analysts identified a number of key areas where SPSS PredictiveMarketing customers achieved returns, including reduced mailing costs, increased revenues, increased staff productivity, improved operations, and improved customer satisfaction.

Reduced mailing costs

All the customers Nucleus interviewed cited a goal of reducing mailings as a motivation for investing in SPSS PredictiveMarketing — and found that they were able to dramatically reduce mailing volumes while increasing response rates. Companies sending out more than one million pieces of promotional materials a year are likely able to justify the investment in PredictiveMarketing on mailing cost savings alone. One customer noted, *"Within two mailings, we saved enough to pay for the solution."*

PredictiveMarketing can enable customers to reduce mailings by up to 50 percent while maintaining or improving campaign response volumes.

Increased revenues

At the same time they reduced mailing volumes, customers were able to increase revenues by better targeting the promotions they did send to customers. PredictiveMarketing enables users to add business rules such as restrictions on channel, budget, and customer contact, and see the best strategy for maximized revenues. Users can also use PredictiveMarketing to analyze strategies across multiple campaigns to maximize overall revenues.

One customer reported more than one million dollars in increased profits by increasing average conversion rates for two campaigns from one to three percent.

A number of PredictiveMarketing customers have moved beyond simple event planning to support real-time interaction with customers via the Web and call center, driving offers to the customer based on the customer profile:

- *"We have 10,000 fewer calls in the call center with more bookings, and we changed the flow of the Web site so the offers customers get are related to their data after they log in — so they get the right offer. Looking at all the combined campaigns together, we've conservatively gotten a million euros in increased profits."*
- *"It's really good for cross selling. Our numbers in terms of outreach may be low but customers like it because when we call they know we're thinking about their situation and can recommend things that they need."*

Increased marketing productivity

PredictiveMarketing customers found the ease of use and reusability of the solution enabled them to reduce the time they spent planning campaigns and take advantage of more sophisticated modeling and planning that would have been cost-prohibitive using traditional planning methods. Marketing time savings translated into a number of benefits including better use of data and better campaign management.

Using PredictiveMarketing can increase database marketing staff productivity by 40 to 60 percent depending on the current level of analytics sophistication.

Many customers had used predictive analytics before, but found the time and effort needed to build and run models and use them in marketing campaigns was time consuming and difficult for the uninitiated user. Using PredictiveMarketing enabled them to work with product managers in real time to build and analyze different theories and models without additional IT or expert intervention:

- *"Before you had to spend 80 percent of your time doing the modeling."*
- *"PredictiveMarketing is so intuitive that you can maximize the revenue from a customer without having to go to the IT department and ask someone to create a variable."*
- *"After the implementation, everyone is more empowered. I used to do all the number crunching and aggregating data, using the plain statistical models, and I needed three weeks. If you have a model or idea, you want to use it in real time."*

Companies also found they could better leverage data from more sources to gain new ways to look at and model information, providing greater insights into customer behavior. As one customer said, *"Today we have four to five million records from many different sources, including our marketing database, our booking system, NT servers, AS 400 databases, and questionnaire results. We are able to use information we couldn't otherwise get access to."*

Beyond just time savings and access, spending less time working on data models and selecting customers for a mailing enables database marketers and product managers to think more strategically about how to optimize marketing efforts to obtain the best outcomes:

- *"Two years ago it took us a week to do a selection for a mailing; now it's five minutes. We can do it again and again without additional energy and time. We can just build the campaign rather than thinking about it again."*
- *"The difference between this tool and others is that every time you do a model with others you spend a fair amount of time preparing the data; that is, you have to redo the tool each time you do the model. With this one, you do a one-off setup with all the variables and the sources and then you don't have to do it any more."*
- *"We can work ahead of ourselves by three or four months and run scenarios so we can determine the best solution to reduce mailings while improving results — you can really do that properly."*

Ongoing operational improvements

Many customers found that once they started improving campaign effectiveness and response rates at the individual campaign level, they were able to focus their efforts on fine-tuning the models to optimize results from multiple campaigns. The "building block" approach of PredictiveMarketing enabled users to build models once and then continue to improve them over time to obtain better results.

For example, one insurance company found it was able to maximize overall revenues by deliberately omitting some customers from some campaigns because they would be more likely to buy in a planned future campaign. The ease of use of the solution has driven customers to continue to adapt the solution to identify new savings and opportunity areas:

- *"We get positive results every time without changes. I can't see a reason to stop fiddling with the data to improve our results. It's capable of running with so much that I'm always looking for new things to consider — even variables of variables."*
- *"We used the tool originally to make a difference on individual mailings; now we're increasing the pace and use it whenever we can. We also added optimization software, which allows us to feed in models for multiple campaigns and compare them — you can, for example, give it a task of optimizing on profit or limiting the number of variables. We're just starting to use it."*
- *"Our next stage is quite important, as we're looking at new tools on top of the models that will allow us to optimize across many areas and determine the best model, including the proper communication strategy."*
- *"PredictiveMarketing is a tool for changing the culture and thinking in terms of not who are the best customers for me in January but how do all product managers work together — and we gained 29 percent more profits with cross-campaign optimization."*

Improved customer satisfaction

PredictiveMarketing customers found that a better understanding of their customer behavior enabled them to have more thoughtful and targeted marketing toward the customer base, which increased revenues but also drove greater customer satisfaction:

- *"SPSS PredictiveMarketing really drove the turn from a product focus to a customer focus. We don't always know why the model works, but we know it*

works. Before we didn't have time to think about the logic. Now we can have a product meeting and talk about when we should sell something to a customer, what do they want to buy."

- *"We were a very product-focused company. Now this helps us compete because we know how to look at customer behavior — it pushed our product management to a more customer-focused style of working."*

KEY COST AREAS

Key cost areas associated with a PredictiveMarketing deployment included software, hardware, consulting, personnel, and training.

Software

Initial license fees for PredictiveMarketing customers ranged from \$100,000 to \$500,000 depending on the number of modules purchased. Companies typically paid a 20 percent annual license maintenance fee for upgrades and support.

Hardware

Most companies were running their PredictiveMarketing solution on only one server; in fact, some companies had PredictiveMarketing running on a server that was also supporting other applications. However, one customer noted that hosting multiple applications in addition to SPSS on one server sometimes slowed performance, so the best strategy is likely to allocate at least one server to the application.

Consulting

Most customers used SPSS professional services staff to help plan and implement their initial deployments; typical deployment time was two to three months. However, once the initial deployment had been completed, customers were able to reuse components of the model and build additional models without additional consulting costs.

Personnel

Beyond the initial deployment, most companies found PredictiveMarketing needed very little IT staff support — in fact, many found a net reduction in IT and database staff time needed to support the application when the solution replaced other more ad-hoc statistical analysis and reporting tools. Maintenance of the solution should take less than one FTE.

Training

Companies should budget at least three days for user training for the application to ensure that marketing staff is comfortable exploiting the functionality. Some additional training may be necessary for the marketing optimization functionality. However, as one customer noted, *"users would need to be fairly analytically minded, like a marketing analyst. It didn't demand any programming skills or heavy-duty statistics knowledge, just an ability with analysis and numbers."*

CONCLUSION

As companies compete for market share from a more and more sophisticated consumer audience, striking a balance between effective marketing and too much marketing can be a challenge. Companies in financial services, tourism and travel,

and insurance have gained clear returns from using PredictiveMarketing to fine-tune their outbound marketing efforts and better target their customers.

Customers in other sectors would likely achieve a positive ROI from PredictiveMarketing, particularly if they:

- Have an outbound marketing budget of more than \$500,000 per year
- Have access to multivariant historical data about their customers and prospects
- Have more than one product, service, or promotion to offer customers each quarter

Many companies using ad-hoc or less “packaged” statistical modeling today may find the solution delivers returns based on staff productivity alone; however, reduced direct costs of marketing campaigns and increased response rates will have a direct impact on the bottom line. Increased customer satisfaction and the ability to continue to evolve the solution to identify new opportunities will deliver ongoing opportunities for additional returns.